

ARRHYTHMIA RESEARCH TECHNOLOGY INC /DE/
Form DEF 14A
March 15, 2010

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for Use of Commission Only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to Section 240.14a-12

ARRHYTHMIA RESEARCH TECHNOLOGY, INC.
(Name of Registrant as Specified in its Charter)

N/A
(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- 1) Title of each class of securities to which transaction applies:
- 2) Aggregate number of securities to which transaction applies:
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
- 4) Proposed maximum aggregate value of transaction:
- 5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 240-0-11 and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- 1) Amount Previously Paid:
- 2) Form, Schedule or Registration Statement No.:
- 3) Filing Party:
- 4) Date Filed:

To the Stockholders of Arrhythmia Research Technology, Inc.:

You are cordially invited to attend the Annual Meeting of Stockholders of Arrhythmia Research Technology, Inc. on Friday, April 30, 2010. The Annual Meeting will begin at 10:00 a.m. local time at The Charles Hotel, One Bennett Street, Cambridge, Massachusetts.

This year we are pleased to be again using the U.S. Securities and Exchange Commission rule that allows us to furnish our proxy materials and annual report over the Internet. As a result, we are mailing to our stockholders a Notice of Internet Availability ("Notice") instead of paper copies of our Proxy Statement and 2009 Annual Report on Form 10-K. The Notice contains instructions on how to access these documents via the Internet. The Notice also contains instructions on how you can receive a paper copy of our proxy materials, including this Proxy Statement, our 2009 Annual Report on Form 10-K and a proxy card. Stockholders who request paper copies of proxy materials will receive them by mail. This process will conserve natural resources and reduce the costs of printing and distributing our proxy materials to our stockholders. Because it is important that your shares be voted at the Annual Meeting, we urge you to complete, date and sign a proxy card and return it as promptly as possible, whether or not you plan to attend in person. If you are a stockholder of record and do attend the meeting and wish to vote your shares in person, even after returning your proxy, you still may do so.

We appreciate your continued support of and interest in Arrhythmia Research Technology, Inc. and are working hard to build a company that we are all proud to own.

We look forward to seeing you in Cambridge on April 30, 2010.

Very truly yours,

By: /s/ E.P. Marinos

E. P. Marinos

Chairman of the Board

ARRHYTHMIA RESEARCH TECHNOLOGY, INC.

25 Sawyer Passway
Fitchburg, MA 01420

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held Friday, April 30, 2010

TO THE STOCKHOLDERS OF ARRHYTHMIA RESEARCH TECHNOLOGY, INC.:

NOTICE IS HEREBY GIVEN that the 2010 Annual Meeting of Stockholders of Arrhythmia Research Technology, Inc., a Delaware corporation (the "Company"), will be held at The Charles Hotel, One Bennett Street, Cambridge, Massachusetts, on Friday, April 30, 2010, at 10:00 a.m., local time, for the following purposes, as described in our Proxy Statement:

1. To elect one Class III director to hold office for three years and until his successor is duly elected and qualified.
2. To approve the adoption of the Company's 2010 Equity Incentive Plan.
3. To ratify the appointment of CCR LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2010.
4. To consider and vote on a proposal to authorize the Board of Directors to adjourn the Annual Meeting to a later date or dates, if necessary, to allow time for further solicitation of proxies, in the event there are insufficient votes present in person or represented by proxy at the Annual Meeting to approve the proposals.
5. To transact any other business which properly may be brought before the Annual Meeting or any adjournment or postponement thereof.

All stockholders are cordially invited to attend the Annual Meeting of Stockholders. Only stockholders of record of the Company at the close of business on March 4, 2010 are entitled to notice of and to vote at the Annual Meeting or any adjournment or postponement thereof. A complete list of these stockholders will be open for the examination of any stockholder of record at the Company's principal executive offices located at 25 Sawyer Passway, Fitchburg, Massachusetts for a period of ten days prior to the Annual Meeting. The list will also be available for the examination of any stockholder of record present at the Annual Meeting.

Your vote is important. Your prompt response will also help reduce proxy costs and will help you avoid receiving follow-up telephone calls or mailings. Please vote as soon as possible. Also, the Company has elected to take advantage of the Securities and Exchange Commission rules that allow the Company to furnish proxy materials to you and other shareholders on the Internet.

By Order of the
Board of Directors,
ARRHYTHMIA
RESEARCH TECHNOLOGY, INC.
/s/ E.P. Marinos
E. P. Marinos
Secretary

Fitchburg, Massachusetts

March 15, 2010

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON APRIL 30, 2010, THE PROXY STATEMENT AND ANNUAL REPORT ARE AVAILABLE AT WWW.CSTPROXY.COM/ARTHRT/2010.

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ARRHYTHMIA RESEARCH TECHNOLOGY, INC.

PROXY STATEMENT

FOR

ANNUAL MEETING OF STOCKHOLDERS

To be held April 30, 2010

INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

WHY DID YOU FURNISH ME THIS PROXY STATEMENT?

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Arrhythmia Research Technology, Inc., a Delaware corporation (the "Company"), for use at the Annual Meeting of the Company's stockholders to be held at The Charles Hotel, One Bennett Street, Cambridge, Massachusetts, on April 30, 2010 at 10:00 a.m., local time, and at any adjournments or postponements of the Annual Meeting. This proxy statement summarizes the information you need to make an informed vote on the proposals to be considered at the Annual Meeting. However, you do not need to attend the Annual Meeting to vote your shares. Instead, you may simply complete, sign and return a proxy card.

WHY ARE YOU MAKING THESE MATERIALS AVAILABLE OVER THE INTERNET RATHER THAN MAILING THEM?

Under the "Notice and Access Rule" that the Securities and Exchange Commission (the "SEC"), has adopted, we are again this year furnishing proxy materials to our stockholders on the Internet rather than mailing printed copies of those materials to each stockholder. This will help us conserve natural resources and it will save postage, printing and processing costs. If you received a Notice of Internet Availability of Proxy Materials by mail, you will not receive a printed copy of our proxy materials unless you specifically request one. Instead, the Notice of Internet Availability will instruct you about how you may (1) access and review our proxy materials on the Internet and (2) access your proxy card to vote on the Internet. We anticipate that we will mail the Notice of Internet Availability to our stockholders on or about March 19, 2010.

The Proxy Materials are available at www.CSTPROXY.COM/ARTHRT/2010. Enter the 12-digit control number located on the Notice of Internet Availability or proxy card.

HOW CAN I HAVE PRINTED COPIES OF THE PROXY MATERIALS MAILED TO ME?

Instructions for requesting a paper copy of the proxy materials are set forth on the Notice of Internet Availability.

WHAT PROPOSALS WILL BE ADDRESSED AT THE ANNUAL MEETING?

We will address the following proposals at the Annual Meeting:

1. The election of one nominee for Class III director identified below, to serve for three years;
2. The approval of the adoption of the Company's 2010 Equity Incentive Plan.

3. The ratification of the appointment of CCR LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2010;
4. The authorization to adjourn the Annual Meeting to a later date or dates if there are insufficient votes to approve the proposals; and
5. Transaction of such other business as may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting.

Our Board of Directors has taken unanimous affirmative action with respect to each of the foregoing proposals and recommends that the stockholders vote in favor of each of the proposals.

WHO MAY VOTE ON THESE PROPOSALS?

Stockholders who owned shares of the Company's voting stock at the close of business on March 4, 2010 (the "Record Date") are entitled to vote at the Annual Meeting on all matters properly brought before the Annual Meeting.

On the Record Date, the Company had 2,675,481 shares of issued and outstanding common stock, par value \$0.01 per share ("Common Stock").

HOW MANY VOTES DO I HAVE?

Each share of Common Stock is entitled to one vote on each matter presented at the Annual Meeting.

WHAT IS THE QUORUM REQUIREMENT?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if at least a majority of the outstanding shares are represented by stockholders present at the Annual Meeting or by proxy. On the record date, there were 2,675,481 shares outstanding and entitled to vote. Thus, 1,337,741 shares must be represented by stockholders present at the meeting or by proxy to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee) or if you vote in person at the Annual Meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, the chairman of the meeting or a majority of the votes present at the meeting may adjourn the meeting to another date.

WHY WOULD THE ANNUAL MEETING BE ADJOURNED?

The Annual Meeting may be adjourned if a quorum is not present or to allow time for further solicitation of proxies in the event there are insufficient votes present in person or represented by proxy to approve the proposals.

For purposes of determining whether the stockholders have approved matters other than the election of directors, abstentions are treated as shares present or represented and voting, so abstaining has the same effect as a negative vote. Shares held by brokers who do not have discretionary authority to vote on a particular matter and who have not received voting instructions from their customers are not counted or deemed to be present or represented for the purpose of determining whether stockholders have approved that matter, but they are counted as present for the purpose of determining the existence of a quorum at the Annual Meeting.

HOW DO I VOTE BY PROXY?

Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct how your shares are voted without attending the Annual Meeting. Stockholders may deliver their proxies either:

- (1) Electronically over the Internet as outlined in the Notice of Internet Availability; or
- (2) By requesting, completing and submitting a properly signed paper proxy card as outlined in the Notice of Internet Availability.

Returning the proxy card will not affect your right to attend the Annual Meeting and vote in person.

If you properly fill in your proxy card and send it to us in time to vote, your proxy (one of the individuals named on your proxy card) will vote your shares as you have directed. If you sign the proxy card but do not make specific choices, your proxy will vote your shares as recommended by the Board of Directors as follows:

1. FOR the nominee for Class III director identified below;
2. FOR the approval of the adoption of the Company's 2010 Equity Incentive Plan;
3. FOR the ratification of the appointment of CCR LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2010; and

4. FOR the authorization to adjourn the Annual Meeting to a later date or dates if there are insufficient votes present in person or represented by proxy at the Annual Meeting to approve the proposals.

If any other matters are presented, your proxy will vote in accordance with his or her best judgment. At the time this proxy statement went to press, we knew of no matters that needed to be acted on at the Annual Meeting other than those discussed in this proxy statement.

HOW DO I VOTE IN PERSON?

If you plan to attend the Annual Meeting and vote in person on April 30, 2010, or at a later date if the meeting is adjourned or postponed to a later date, we will give you a ballot when you arrive. However, if your shares are held in the name of your broker, bank or other nominee, you must bring a power of attorney executed by the broker, bank or other nominee that owns the shares of record for your benefit and authorizing you to vote the shares.

MAY I REVOKE MY PROXY?

If you give a proxy, you may revoke it at any time before it is exercised. You may revoke your proxy in three ways:

1. You may send in another proxy with a later date.
2. You may notify the Company in writing (by you or your attorney authorized in writing, or if the stockholder is a corporation, under its corporate seal, by an officer or attorney of the corporation) at our principal executive offices before the Annual Meeting, that you are revoking your proxy.
3. You may vote in person at the Annual Meeting.

WHAT VOTE IS REQUIRED TO APPROVE EACH PROPOSAL?

Proposal 1: Election of Directors.

A plurality of the eligible votes cast is required to elect a director nominee. A nominee who receives a plurality means he has received more votes than any other nominee for the same director's seat. Shares not represented in person or by proxy at the Annual Meeting and broker non-votes will have no effect on the election of directors.

Proposal 2: Approval of the adoption of the Company's 2010 Equity Incentive Plan.

The approval of Proposal 2, the approval of the adoption of the Company's 2010 Equity Incentive Plan, requires the affirmative vote of the majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote thereon.

Proposal 3: Ratification of independent registered public accounting firm.

The approval of Proposal 3, the ratification of the appointment of our independent registered public accounting firm, requires the affirmative vote of the majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote thereon.

Proposal 4: Adjournment of the Annual Meeting.

The approval of Proposal 4, the adjournment of the Annual Meeting, requires the affirmative vote of the majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote thereon.

Abstentions will be counted toward the tabulation of votes present or represented on Proposals 2 through 4 and will have the same effect as votes "Against" these proposals. New York Stock Exchange rules prohibit brokers from voting on Proposals 1 and 2 without receiving instructions from the beneficial owner of the shares. In the absence of instructions, shares subject to such broker non-votes will not be counted as voted or as present or represented on those proposals and so will have no effect on the vote. Please note that this year the rules regarding how brokers may vote your shares have changed. Brokers may no longer vote your shares on the election of directors in the absence of your specific instructions as to how to vote so we encourage you to provide instructions to your broker regarding the voting of your shares.

ARE THERE ANY DISSENTERS' RIGHTS OF APPRAISAL?

The Board of Directors is not proposing any action for which the laws of the State of Delaware, the Company's Certificate of Incorporation or the By-Laws provide a right of a stockholder to dissent and obtain appraisal of or payment for such stockholder's shares.

WHO BEARS THE COST OF SOLICITING PROXIES?

The Company will bear the cost of soliciting proxies in the accompanying form and will reimburse brokerage firms and others for expenses involved in forwarding proxy materials to beneficial owners or soliciting their execution.

WHERE ARE THE COMPANY'S PRINCIPAL EXECUTIVE OFFICES?

The Company's principal executive offices are located at 25 Sawyer Passway, Fitchburg, Massachusetts and our telephone number is (978) 345-5000.

HOW CAN I OBTAIN ADDITIONAL INFORMATION ABOUT THE COMPANY?

The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 has been made available on the Internet to all stockholders entitled to vote at the Annual Meeting and who received the Notice of Internet Availability. Additional copies will be furnished without charge to stockholders upon written request. Exhibits to the Form 10-K will be provided upon written request and payment of an appropriate fee. All written requests should be directed to Arrhythmia Research Technology, Inc., 25 Sawyer Passway, Fitchburg, Massachusetts 01420.

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") which requires that the Company file reports, proxy statements and other information with the Securities and Exchange Commission ("SEC"). The SEC maintains a website on the Internet that contains reports, proxy and information statements and other information regarding registrants, including the Company, that file electronically with the SEC. The SEC's website address is <http://www.sec.gov>. In addition, the Company's Exchange Act filings may be inspected and copied at the public reference facilities of the SEC located at Room 1580, 100 F Street, N.E., Washington, DC 20549, on official business days during the hours of 10:00 am to 3:00 pm. You may obtain information about the operation of the public reference room by calling the SEC at 1-800-SEC-0330.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Beneficial Owners of at Least Five Percent of our Common Stock

The following table shows, as of the Record Date and to the best of our knowledge, all persons we know to be beneficial owners of five percent or more of the voting securities of the Company as of the Record Date.

Name and Address of Beneficial Owner	Common Stock Beneficially Owned (1)	Percent of Class (1)
Chambers Medical Foundation Edwin K. Hunter, Trustee 1807 Lake Street Lake Charles, LA 70601	276,268(2)	10.3%
FMR LLC Fidelity Management & Research Co. 82 Devonshire Street Boston, MA 02109	271,041(3)	10.1%

(1) Unless otherwise noted in these footnotes, the Company believes that all shares referenced in this table are owned of record by each person named as beneficial owner and that each person has sole voting and dispositive power with respect to the shares of Common Stock owned by each of them. In accordance with Rule 13d-3 under the Exchange Act, each person's percentage ownership is determined by assuming that the options that are held by

that person, and which are exercisable within 60 days, have been exercised.

- (2) Based on information included in a Schedule 13D/A filed with the SEC on March 9, 2007 and a Form 4 filed with the SEC on April 5, 2007 by the Chambers Medical Foundation.
- (3) Based on information included a Schedule 13G/A filed with the SEC on April 9, 2009.

Security Ownership of Directors and Executive Officers

The following table shows, as of the Record Date, the securities owned by each director and nominee, the Named Executive Officers as defined below, and by all of the present executive officers and directors as a group.

Name and Address of Beneficial Owner	Common Stock	
	Beneficially Owned(1)	Percent of Class(1)
Julius Tabin, Ph.D.	132,824(2)	4.9%
Paul F. Walter, M.D.	78,055(2)	2.9%
E. P. Marinos	67,948(2)	2.5%
Jason R. Chambers	65,249(3)(4)	2.4%
James E. Rouse	18,800(5)	*
David A. Garrison	22,500(6)	*
All Executive Officers and Directors as a Group (6 Persons)	385,376	14.0%

* Less than 1%.

- (1) Unless otherwise noted in these footnotes, the Company believes that all shares referenced in this table are owned of record by each person named as beneficial owner and that each person has sole voting and dispositive power with respect to the shares of Common Stock owned by each of them. In accordance with Rule 13d-3 under the Exchange Act, each person's percentage ownership is determined by assuming that the options that are held by that person, and which are exercisable within 60 days, have been exercised. The address of all persons listed above is c/o Arrhythmia Research Technology, Inc., 25 Sawyer Passway, Fitchburg, MA 01420.
- (2) Includes 16,000 shares issuable upon exercise of options, but excludes options to acquire 11,500 shares which are not currently exercisable but which vest and will be exercisable as to an additional 2,000 shares on January 2, 2011 and 1,500 shares on January 4, 2011 and each anniversary thereafter until fully vested.
- (3) Includes 35,216 shares held in the EBC Charitable Remainder Trust, for which Mr. Chambers serves as trustee and as to which an immediate family member is beneficiary. Mr. Chambers disclaims beneficial ownership of the shares held by the EBC Charitable Remainder Trust.
- (4) Includes options to acquire 14,000 shares but excludes options to acquire 13,500 shares which are not currently exercisable but which vest and will be exercisable as to an additional 2,000 shares on or after August 4, 2009 and January 2, 2011, and 1,500 shares on January 4, 2011, respectively, and each anniversary thereafter until fully vested.
- (5) Includes options to acquire 3,800 shares but excludes options to acquire 13,200 options which are not currently exercisable but which vest and will be exercisable as to 1,900 shares on January 2, 2011 and 1,500 shares on January 4, 2011 and each anniversary thereafter until fully vested.
- (6) Represents 12,500 shares issuable upon exercise of options; excludes options to acquire an additional 6,000 shares which are not currently exercisable, but which options vest and will be exercisable as to an additional 1,500 shares on or after January 2, 2010 and 1,500 shares on January 4, 2011 and each anniversary thereafter until fully vested.

Interest of Directors and Executive Officers in the Matters to be Acted Upon

Dr. Paul F. Walter has been nominated for re-election as a Class III director and therefore has an interest in the outcome of Proposal 1.

Section 16(a) Beneficial Ownership Reporting Requirements

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who own more than ten percent of any publicly traded class of our equity securities, to file reports of ownership and changes in ownership of equity securities of the Company with the SEC and the New York Stock Exchange. Officers, directors, and greater-than-ten-percent stockholders are required by the SEC's regulations to furnish the Company with copies of all Section 16(a) forms that they file.

Based solely upon a review of Forms 3 and Forms 4 furnished to the Company during the most recent fiscal year, and Forms 5 with respect to its most recent fiscal year, we believe that all such forms required to be filed pursuant to Section 16(a) of the Exchange Act were timely filed, as necessary, by the officers, directors, and security holders required to file the same during the fiscal year ended December 31, 2009, except that a Form 4 reporting five transactions was inadvertently filed late by Mr. Garrison.

INFORMATION ABOUT DIRECTORS AND EXECUTIVE OFFICERS

Directors and Executive Officers

The directors and executive officers of the Company are as follows:

Name	Age	Title
E. P. Marinos	68	Chairman of the Board (1)
James E. Rouse	55	President, Chief Executive Officer and Director
David A. Garrison	41	Executive Vice President of Finance and Chief Financial Officer
Jason R. Chambers	32	Director (1)
Julius Tabin, Ph.D.	90	Director (1)
Paul F. Walter, M.D.	72	Director (1)

(1) E. P. Marinos, Dr. Julius Tabin and Jason Chambers serve as members of the Audit Committee and, together with Dr. Paul F. Walter, serve as independent directors.

Set forth below are descriptions of the backgrounds of the executive officers and directors of the Company and their principal occupations for the past five years.

E. P. Marinos. Mr. Marinos has served as a director of the Company since 1994. Mr. Marinos has been Chief Executive Officer of AMT/EPM Associates, a consulting firm, since June 1, 2001. Mr. Marinos was President and Chief Executive Officer of Midcoast Interstate Transmission, Inc. (MIT), an interstate pipeline company, from June 1997 until June 2001. He also became Corporate Vice President of Administration for Midcoast Energy Resources, Inc. (MRS), MIT's parent company, in June 1999 and President and Chief Executive Officer of Kansas Pipeline Co. in December 1999, a subsidiary of MRS, and held those positions until MRS was sold in June 2001. From March 1995 until June 1997, he was President and Chief Executive Officer of the Company. Since August 2009 he has served as a director of the Bay Area Houston Ballet & Theatre, a non-profit organization. He is a graduate of Wayne State University (B.S. in Business Administration with majors in Finance and Accounting, 1964) and a member of the AICPA.

Mr. Marinos brings upwards of 18 years prior experience with a "Big 8" accounting firm, including years of experience providing audit and advisory services to a variety of industries including medical, engineering, banking and energy. His prior service as president and CEO of the Company as well as CEO and CFO of other publicly traded companies expand his breadth of knowledge of business and management. His advanced degree in business administration including majors in finance and accounting, as well as prior experience, qualify him to serve as a member of the Company's Audit Committee.

James E. Rouse. Mr. Rouse was appointed President and Chief Executive Officer of the Company in October 2002 after serving in the capacity of President and Chief Operating Officer since October of 2001. Previously he had served as Vice President and General Manager of the Company from December 2000 to October 2001. Mr. Rouse has also served as President, Chief Executive Officer and Chief Operating Officer of the Company's subsidiary, Micron Products, since December 2000, Vice President and General Manager from July 2000 to December 2000 and Plant Operations Manager from December 1996 to July 2000. Prior to joining Micron Products Mr. Rouse held the position of Operations Manager from December 1995 to December 1996 for Jarvis Surgical, Inc., a manufacturer of medical devices. He served in positions of Biomedical Product Manager and Director of Quality Assurance during his employment at KomTeK, Inc., a subsidiary of Kervick Enterprises, Inc., a manufacturer of close tolerance forgings and investment castings, from 1983 to 1995. He is a graduate of the University of Massachusetts (Amherst) (B.A. Political Science, 1977) and Worcester Polytechnic Institute, School of Industrial Management (1997).

As the only management representative on the Company's Board, Mr. Rouse provides an insider's perspective in Board discussions about the business and strategic direction of the Company. In addition, he has experience in all aspects of the Company's business as well as advanced studies in industrial management. Mr. Rouse is also active in local organizations and his contacts in the Fitchburg, Massachusetts, business and educational community afford him the opportunity to have a working relationship with the local leaders.

David A. Garrison. Mr. Garrison was appointed Executive Vice President of Finance of the Company in December 2004 and has served as Chief Financial Officer since November 2002. He joined the Company as Corporate Controller in September of 2002 after nine years as Controller and Chief Financial Officer of H & R 1871, Inc., a privately held manufacturer of consumer products. He is a graduate of Miami University (B.S. in Finance, 1990) and Boston University (Masters in Business Administration, 2001).

Jason R. Chambers. Mr. Chambers has served as a director of the Company since April 2006. Mr. Chambers has served as President of Mountain Brook Water, a water bottling and distribution company, from June 14, 2002 to the present, and from August 2001 to the present has served as a consultant assisting The Chambers Medical Foundation, a private foundation, in assessing medical grant applications. The Foundation beneficially owns approximately 10% of the Company's outstanding common stock. Mr. Chambers holds a Bachelor of Science degree from Vanderbilt University School of Engineering and a Masters of Business Administration degree from Owen Graduate School of Management, Vanderbilt University with a concentration in finance and marketing. Mr. Chambers is also a Dana-Farber Cancer Institute Hematologic Oncology visiting committee member and a board member of Global Health Action, a non-profit organization focused on providing health professionals with leadership, management and project planning training.

Mr. Chambers brings over 8 years practical business and finance experience as the president of a growing enterprise along with knowledge of and relationships with the medical community through his non-profit activities. His advanced degree in business administration and finance experience qualify him to serve on the Audit Committee.

Julius Tabin, Ph.D. Dr. Tabin has served as a director of the Company since its founding in 1982. Prior to his retirement in June 2006, Dr. Tabin was a partner in the law firm of Fitch, Even, Tabin & Flannery. His practice focused on client counseling, litigation, and licensing in the areas of patents, trademarks, copyrights, trade secrets, related contract, and antitrust law. He is a graduate of the University of Chicago (B.S., 1940; Ph.D. Physics, 1946) and Harvard Law School (LL.B., 1949).

Dr. Tabin has over 27 years experience on the Company's Board and, as a result, has a depth of experience with the Company's injection molding business. His prior experience as director of other companies has expanded his breadth of knowledge of business and management. His advanced degrees in physics and law as well as his more than 50 years experience counseling clients on intellectual property matters enable him to provide valuable insights into processes and potential pitfalls.

Paul F. Walter, M.D. Dr. Walter has served as a director of the Company since its founding in 1982. Dr. Walter is an electrophysiologist and Professor of Medicine at Emory University where he has served on the faculty since 1980. He specializes in cardiology and clinical electrophysiology. Dr. Walter started the arrhythmia/electrophysiology service at Emory University in 1980. He performed clinical research studies in signal averaged electrocardiography when this test was being developed in the 1980s. He is a 1961 graduate of the University of Nebraska, College of Medicine with graduate studies at the University of Michigan.

Dr. Walter has over 27 years experience on the Company's Board and brings, in addition, over 48 years experience in the medical field and community, particularly as it relates to cardiology. His position on the faculty of Emory University and depth of knowledge in and ongoing experience with electrophysiology and developments in cardiology uniquely position him to provide valuable insights into innovative products in the medical field as well as markets for such products.

No director is related to any other director or executive officer of the Company or its subsidiaries, and there are no arrangements or understandings between a director and any other person pursuant to which such person was elected as director.

Each executive officer of the Company is appointed by the Board of Directors and holds his office(s) at the pleasure and discretion of the Board.

There are no material proceedings to which any director, director nominee, executive officer or affiliate of the Company, any owner of record or beneficial interest of more than five percent of any class of voting securities of the Company, or any associate of any such director, officer, affiliate or security holder is a party adverse to the Company or any of its subsidiaries or has a material interest adverse to the Company or any of its subsidiaries.

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No director, director nominee, officer or affiliate of the Company, owner of record or beneficial interest of more than five percent of any class of voting securities of the Company has, to the Company's knowledge, during the last five years (i) been convicted of any criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, United States federal or state securities laws or finding any violations with respect to such laws.

CORPORATE GOVERNANCE

The Board of Directors

The Board of Directors oversees the business affairs of the Company and monitors the performance of management. Pursuant to the Company's By-Laws, the Board of Directors has established that the Board of Directors shall consist of no less than two and no more than six members. Currently the number of seats on the Board is five. The Company's By-Laws further provide that the Board of Directors be divided in three classes serving staggered three year terms with each class to be as nearly equal in number as possible. See Proposal 1.

Members of the Board of Directors discussed various business matters informally on numerous occasions throughout the year 2009. There were nine formal Board meetings in person or by teleconference during 2009. During 2009, all directors attended at least 75% of the meetings of our Board and Board committees on which they served. Independent directors meet on a regular basis as often as necessary to fulfill their responsibilities, including at least annually in executive session without the presence of non-independent directors and management.

Board Leadership Structure and Role in Risk Oversight

The Board of Directors does not have a policy, one way or the other, on whether the same person should serve as both the chief executive officer and chairman of the board or, if the roles are separate, whether the chairman should be selected from the non-employee directors or should be an employee. The Board believes that it should have the flexibility to make these determinations at any given point in time in the way that it believes best to provide appropriate leadership for the Company at that time. The current structure is that of separate Chief Executive Officer and Chairman of the Board of Directors. Mr. James Rouse serves as the Chief Executive Officer and President and is responsible for day-to-day leadership of the Company. Mr. E.P. Marinos serves as the Chairman of the Board. The Board of Directors believes this is the most appropriate structure for the Company at this time as it recognizes the time, effort and energy that the Chief Executive Officer is required to devote to his position in the current business environment, as well as the commitment required to serve as the Chairman of the Board, particularly as the Board's oversight responsibilities continue to grow.

The Board, either as a whole or through its Committees, regularly discusses with management strategic and financial risks and exposures associated with the Company's annual operating budget, their potential impact on the Company and the steps taken to manage them. While the Board of Directors is ultimately responsible for risk oversight at the Company, the Board's Committees assist the Board in fulfilling its oversight responsibilities in certain areas of risk. In particular, the Audit Committee focuses on financial and enterprise risk exposures and discusses with management, the internal auditors, and the independent registered public accountants the Company's policies with respect to risk assessment and risk management, including risks related to financial reporting, tax, accounting, disclosure, internal control over financial reporting, financial policies and credit and liquidity matters. The Audit Committee also assists the Board of Directors in fulfilling its duties and oversight responsibilities relating to the Company's compliance and ethics programs, including compliance with legal and regulatory requirements. The Executive and Finance Committee regularly reviews with management the Company's financial arrangements, capital structure and strategic

opportunities. The Nominating and Corporate Governance Committee annually reviews the Company's corporate governance guidelines. The Succession Committee focuses on succession planning for the executive officers. Finally, the Compensation Committee assists the Board in fulfilling its oversight responsibilities with respect to the management of risks arising from the Company's compensation policies and programs.

Attendance Policy

All Board members are strongly encouraged to attend each meeting of the Board and committees on which they serve and be prepared to discuss the business presented. An attendance rate of at least 75% is the minimum acceptable rate of attendance at Board and committee meetings. A Board member's record of attendance will be considered with respect to recommendation of the renewal of a Board term or future assignment to a committee. Directors are strongly encouraged to attend annual meetings, and all of the directors in office at that time attended the 2009 Annual Meeting.

Committees of the Board of Directors

The Board of Directors has established the following standing committees, namely, an Audit Committee, a Compensation Committee, an Executive and Finance Committee, a Nominating and Corporate Governance Committee, and a Succession Committee.

Audit Committee. The Audit Committee assists the Board of Directors in the oversight of the audit of the Company's financial statements and the quality and integrity of its accounting, auditing and financial reporting processes. The Audit Committee also has the responsibility of reviewing the qualifications, independence and performance of the Company's independent registered public accounting firm and is responsible for the appointment, retention, oversight and, where appropriate, termination of the independent registered public accounting firm. During the fiscal year 2009, the Audit Committee held six formal meetings. Its current members are Mr. Jason Chambers (Chairman), Dr. Julius Tabin, and Mr. E.P. Marinos. The Board of Directors has determined that each of the members of the Audit Committee meets the criteria for independence under the applicable listing standards of the NYSE AMEX, and that Mr. Marinos also qualifies as an "audit committee financial expert," as defined by the rules adopted by the SEC. The Board of Directors has adopted a written charter for the Audit Committee, which is reviewed annually by the Audit Committee. The current Audit Committee Charter is available on the Company's web site, namely, <http://www.arthrt.com/investorrelations/corporategovernance/tabid/66/Default.aspx>.

Compensation Committee. The principal functions of the Compensation Committee are to evaluate the performance of the Company's senior executives, to consider the design and competitiveness of the Company's compensation plans, to review and recommend senior executive compensation and to administer the Company's equity-based compensation plans. Its current members are Dr. Paul F. Walter (Chairman), Mr. E.P. Marinos and Dr. Julius Tabin. During the fiscal year 2009, the Compensation Committee held two formal meetings. The current Compensation Committee Charter is available on the Company's web site, namely, <http://www.arthrt.com/investorrelations/corporategovernance/tabid/66/Default.aspx>.

Executive and Finance Committee. The Executive and Finance Committee is composed of three members: Mr. E. P. Marinos, Mr. James E. Rouse and Mr. Jason R. Chambers. The principal functions of the Executive and Finance Committee are reviewing and evaluating significant business and policy decisions and making recommendations to the full Board of Directors. The Executive Committee held nine formal meetings in 2009.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee is presently composed of three members of the board: Dr. Julius Tabin (Chairman), Dr. Paul F. Walter, and Mr. E.P. Marinos, each of whom is an independent director as independence is defined by the rules and regulations of the NYSE AMEX. The Nominating and Corporate Governance Committee assists the Board in identifying individuals qualified to be directors, oversees the composition, structure and evaluation of the Board and its committees, and develops and maintains a set of corporate governance guidelines. The Nominating and Corporate Governance Committee reviews these guidelines regularly and recommends changes as necessary or appropriate. During the fiscal year 2009, the Committee held 2 formal meetings. A copy of the Nominating and Corporate Governance Committee Charter is available on the Company's website, <http://www.arthrt.com/investorrelations/corporategovernance/tabid/66/Default.aspx>.

Succession Committee. The Succession Committee is composed of five members: Mr. E.P. Marinos (Chairman), Mr. James E. Rouse, Dr. Julius Tabin, Dr. Paul F. Walter, and Mr. Jason R. Chambers. The Succession Committee assists the Board in monitoring the preparation and adequacy of succession plans for executive officer positions. During the fiscal year 2009, the Committee held no formal meetings.

Nominees to the Board of Directors

Dr. Paul Walter is the Board of Director's nominee for re-election as Class III director to the Board of Directors. See "Information about Directors and Executive Officers" above for information relative to his business experience.

The Company's Nominating and Corporate Governance Committee identifies new director candidates through recommendations from members of the Committee, other Board members and executive officers of the Company and will consider candidates who are recommended by security holders, as described below. Although the Board does not have a formal diversity policy, the Committee and the Board will consider such factors as it deems appropriate to assist in developing a Board and committees that are diverse in nature and comprised of experienced and seasoned advisors. These factors focus on skills, expertise or background and may include decision-making ability, judgment, personal integrity and reputation, experience with businesses and other organizations of comparable size, experience as an executive with a publicly traded company, and the extent to which the candidate would be a desirable addition to the Board and any committees of the Board.

For nominations by a stockholder to be properly brought before an annual meeting, the stockholder must have given written notice thereof, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Company, not later than 90 days nor earlier than the 120th day prior to the anniversary of the previous year's annual meeting; provided, however, that in the event that no annual meeting was held in the previous year or the annual meeting is scheduled to be held on a date more than thirty (30) days prior to or delayed by more than sixty (60) days after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the later of the close of business ninety (90) days prior to the annual meeting or the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, which may include any public filing by the Company with the Securities and Exchange Commission, of the date of the annual meeting. For nominations by a stockholder to be properly brought before a special meeting of stockholders called for the purpose of electing directors, the stockholder must have given written notice thereof, either by personal delivery or by United States mail, postage prepaid, not later than the close of business on the tenth (10th) day following the day on which public announcement of the date of the special meeting is first made by the Company.

The notice must set forth the following:

- the name and record address of the stockholder and the nominee;
- a representation that the stockholder is a holder of record of stock of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business;
- a description of all arrangements or understandings between the stockholder and each proposed nominee (naming the person) pursuant to which the nomination is to be made by the stockholder;
- such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission were such nominee to be nominated by the Board of Directors; and
 - consent of each proposed nominee to serve as a director of the Company if so elected.

In addition to the provisions of Section 3 of the By-laws summarized above, a stockholder shall also comply with all of the applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth herein.

The Committee will evaluate new director candidates in view of the criteria described above, as well as other factors the Committee deems to be relevant, through reviews of biographical and other information, input from others, including members of the Board and executive officers of the Company, and personal discussions with the candidate when warranted by the results of these other assessments. The Committee will evaluate any director candidates recommended by security holders under the same process. In determining whether to recommend to the Board the nomination of a director who is a member of the Board, the Committee will review the Board performance of such director and solicit feedback about the director from other Board members.

Communicating with the Board

The Board desires to foster open communications with its security holders regarding issues of a legitimate business purpose affecting the Company. Each Board member is willing to accept correspondence. Communications from stockholders should be in the form of written correspondence and sent via registered mail or overnight delivery to the Company's corporate office, care of the Secretary. Electronic submissions of security holder correspondence will not be accepted. The correspondence shall include supporting documentation evidencing the security holder's stock or other holdings in the Company. The Secretary shall pass on any such communication, other than a solicitation for a product or service or a request for copies of reports filed with the Commission, to the appropriate Board member. Any security holder correspondence addressed generically to the Board of Directors will be forwarded to the Chairman of the Board.

Code of Conduct and Ethics

The Company has adopted a Code of Conduct and Ethics that applies to all its employees as well as its principal executive, financial and accounting officers. A copy of the Code can be found on the Company's website at <http://www.arthrt.com/investorrelations/corporategovernance/tabid/66/Default.aspx>. The Company intends to satisfy the disclosure requirements regarding any amendments to or waivers from a provision of the Code that applies to its principal executive, financial and accounting officers by posting such information on its website at the address set forth above.

REPORT OF THE AUDIT COMMITTEE

The information contained in this Proxy Statement with respect to the Audit Committee Report and charter and the independence of the members of the Audit Committee shall not be deemed to be “soliciting material” or to be “filed” with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except to the extent that the Company specifically incorporates it by reference in such filing.

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the accounting firm that we engage as the Company’s independent registered public accounting firm. The Company’s management is responsible for the Company’s internal controls, disclosure controls and financial reporting process. The Company’s independent registered public accounting firm is responsible for performing an independent audit of the Company’s consolidated financial statements and expressing an opinion on the conformity of those financial statements with generally accepted accounting principles.

In the performance of the Audit Committee’s oversight function, we have reviewed and discussed with management the Company’s audited financial statements of the Company for the fiscal year ended December 31, 2009 and management’s assessment of the effectiveness of the Company’s internal control over financial reporting. We have also discussed with the Company’s independent registered public accounting firm the matters requiring discussion pursuant to Statement on Auditing Standards No. 61, as amended (Communications with Audit Committees) and as adopted by the Public Company Accounting Oversight Board in Rule 3200T and such other matters as we have deemed to be appropriate. We have also discussed with CCR LLP matters relating to its independence, and have received the written disclosures and letter from it required by the applicable requirements of the Public Company Accounting Oversight Board.

On the basis of the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the Company’s audited consolidated financial statements for the year ended December 31, 2009 be included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2009 for filing with the Securities and Exchange Commission.

By the Members of the Audit Committee:

Mr. Jason R. Chambers, Chairman
Mr. E.P. Marinos
Dr. Julius Tabin

Audit Committee Pre-Approval of Audit and Non-Audit Services

The Audit Committee pre-approves all audit and permissible non-audit services provided to the Company by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. The Audit Committee has adopted policies and procedures for the pre-approval of services provided by the independent registered public accounting firm. Such policies and procedures provide that management and the independent registered public accounting firm shall jointly submit to the Audit Committee a schedule of audit and non-audit services for approval as part of the annual plan for each fiscal year. In addition, the policies and procedures provide that the Audit Committee may also pre-approve particular services not in the annual plan on a case-by-case basis. Management must provide a detailed description of each proposed service and the projected fees and costs (or a range of such fees and costs) for the service. The policies and procedures require management and the independent registered public accounting firm to provide quarterly updates to the Audit Committee regarding services rendered to date and services yet to be performed.

As permitted under the Sarbanes-Oxley Act of 2002, the Audit Committee may delegate pre-approval authority to one or more of its members, for audit and non-audit services to a subcommittee consisting of one or more members of the Audit Committee. Any service pre-approved by a delegatee must be reported to the Audit Committee at the next scheduled meeting.

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COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Summary Compensation Table

The following table sets forth information regarding annual and long-term compensation with respect to the fiscal years ended December 31, 2009 and 2008, paid or accrued by the Company to or on behalf of those persons who were, during the fiscal year ended December 31, 2009, the Company's Chief Executive Officer and the Company's most highly compensated executive officers serving as such as of December 31, 2009 whose compensation was in excess of \$100,000 (the "Named Executive Officers").

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)(1)	Non Equity Incentive Plan Compensation (\$)(2)	Nonqualified Deferred Compensation Earnings	All Other Compensation (\$)(3)	Total (\$)
James E. Rouse (4)	2009	230,500	--	--	--	--	--	--	230,500
President and CEO	2008	230,500	--	--	26,059	--	--	--	256,559
David A. Garrison (5)	2009	142,500	--	--	--	--	--	--	142,500
EVP and CFO	2008	142,500	--	--	20,573	--	--	--	163,073

(1) Amounts reflect the aggregate grant date fair value of option awards computed in accordance with FASB ASC Topic 718. The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. Option awards were made on January 2, 2008 with a Black-Scholes value of \$2.74 per share. A more detailed discussion of the assumptions used in the valuation of option awards made in fiscal year 2009 may be found in Note 10 of the Notes to the Financial Statements in the Company's Form 10-K for the year ended December 31, 2009.

- (2) The amounts shown in this column include payments made under the annual performance-based incentive plan.
- (3) Includes prerequisites based on the aggregate incremental cost to the Company unless the amount of such compensation is less than \$10,000, gross-ups or other amounts reimbursed during the year for payment of taxes; accrued severance payments; contributions to defined contribution plans and the dollar value of insurance premiums paid by the Company with respect to life insurance for the benefit of the named executive officer.
- (4) Mr. Rouse was appointed President and Chief Executive Officer of the Company in October 2002. He served as President and Chief Operating Officer of the Company from October 2001 to October 2002.
- (5) Mr. Garrison was appointed as Executive Vice President of Finance of the Company in December 2004, and has served as Chief Financial Officer of the Company since November 2002.

Narrative Disclosure to Summary Compensation Table

Incentive Compensation Program. The Company's 2009 incentive plan was designed to provide an incentive for employees to achieve and surpass targeted performance goals. All of the Company's regular full time, salaried employees, including the executive officers, participate in this plan. The annual bonus amount for each participant is based on one or more Company-wide performance measures. The cash bonuses payable under the program are determined as a percentage of a participant's annual base salary ranging from 3% to 17.5% for staff, managers and vice-president/manager personnel and ranging from 15% to 20% for executive officers. The target level for performance-based cash incentive compensation is based on the Company's internal budget targets, which are reviewed and approved by the Board. The factors considered in establishing the performance target include the aggressiveness of the budget target, the revenue and earnings growth included in the budget target as compared to the

prior year, and any significant strategic initiatives that may impact the budget target. This is usually done through discussions with the Company's senior executives and with the Board. Upon completion of the fiscal year, the Board assesses the performance of the Company based on the performance measures that it established for that year and approves the funding level of the cash incentive plan. For 2009 and 2008 bonus levels for executive officers were based on a percentage of base salary assuming targeted budgeted operating profit levels were met. As the 2009 and 2008 incentive plan goals were not met, no amounts were paid to the Named Executive Officers under the 2009 or 2008 incentive plan.

Employment Agreements. The Company entered into an Executive Employment Agreement as of October 4, 2006 with James E. Rouse, the Company's President and Chief Executive Officer, for the five year period commencing as of October 4, 2006. The agreement replaces the prior five year employment agreement originally expiring October 4, 2006 and, as amended, extended to December 4, 2006. Under the terms of the agreement, Mr. Rouse is to receive an annual base salary commencing as of October 5, 2006 of \$230,000 subject to annual review and modification by the Board upon the recommendation of the Compensation Committee subject to minimum increases of \$10,000 as of October 5, 2007 and 2008.

The Company entered into an Executive Employment Agreement as of February 14, 2007, with David A. Garrison, the Company's Executive Vice President and Chief Financial Officer, for the five year period commencing as of January 1, 2007. Under the terms of the agreement, Mr. Garrison is to receive an annual base salary commencing as of January 1, 2007 of \$150,000.

Each of Mr. Rouse and Mr. Garrison are also entitled to participate in bonus compensation and employee benefits plans as the Company may institute from time to time at the discretion of the Compensation Committee, upon the approval of the Board of Directors. The Executive Employment Agreements each provide confidentiality, non-competition and non-solicitation restrictions following termination of employment. In the event the Company terminates either Mr. Rouse or Mr. Garrison's employment agreement without "cause" or the executive terminates the agreement for "good reason" as such terms are defined in the agreements, the Company will be required to pay the greater of the executive's then current annual base compensation for the remaining period of employment as in effect immediately prior to such termination or his then current annual base compensation for twenty-four months and will provide certain medical benefits for up to 24 months. In the event of a "change of control," including merger, consolidation, a sale of all or substantially all of the Company's assets or a sale or transfer of the Company's voting securities resulting in a change in the ownership of a majority of the Company's voting securities, the Company may terminate the executive's employment, in which event he is entitled to the greater of his current base compensation up to the date of termination or his base compensation for a period of 24 months, as well as 24 months of medical and dental benefits.

Outstanding Equity Awards at Fiscal Year End

Name	Option Awards						Stock Awards			
	Number of Securities Underlying Options (#)	Number of Securities Unexercised	Number of Securities Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Market Value Number of Shares or Units That Have Not Vested (#)	Market Value Number of Shares or Units That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
James E. Rouse	1,900(1)		7,600(1)	--	\$ 7.15	01/02/2014	--	--	--	--

David A.8,000 Garrison	--	--	9.86	12/19/2011	--	--	--
1,500(2)	6,000(2)	--	7.15	01/02/2014	--	--	--

(1) Exercisable as to 1,900 shares on 1/2/09 and each anniversary until all 9,500 options are exercisable.